

Notes

1. Accounting Policies & Methods

This quarterly financial report prepared in accordance with Financial Reporting Standard (“FRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of Bursa Malaysia Securities Berhad Listing Requirements should be read in conjunction with the Group's financial statements for the year ended 31 December 2008.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the year ended 31 December 2008.

As at 30 September 2009, the following FRSs and Issues Committee (“IC”) Interpretations were in issue but not yet effective and have not been applied by the Group:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of the above mentioned FRS and IC Interpretation.

2. Audit Report

The preceding financial year's audit report was not qualified.

3. Seasonal or Cyclical Factors

The business operations of the Group are affected by both cyclical factors in the construction industry as well as festive seasons.

4. Unusual Items

There were no items of unusual nature, size, or incidence which affect assets, liabilities, equity, net income or cash flows.

5. Changes in estimates

There have been no changes in estimates of amounts reported in the prior financial year.

6. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current financial year to date.

7. Dividends

(a) For the financial year ending 31 December 2009, a first interim tax exempt dividend of 2.5% (2008: 7.5%) was approved and paid on 11 September 2009. A second interim tax exempt dividend of 2.5% (2008: 5.0%) is now approved and will be payable on 15 December 2009 to depositors registered in the Record of Depositors at the close of business on 30 November 2009.

(b) For the financial year-to-date, a total gross tax exempt dividend of 5.0% has been declared (2008: 12.5%).

8. Primary Segment Revenue and Results

The Group's primary business segment is steel. As such, the segment revenue and results are as disclosed in the condensed consolidated income statement.

9. Valuation of Lands and Buildings

Lands and buildings are stated at cost less accumulated depreciation.

10. Material Subsequent Events

There were no material subsequent events that have not been reflected at the date of issue of this announcement.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial year to date.

12. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or assets since the last annual balance sheet date.

13. Tax (Charge) / Credit

(a) Taxation comprises the following:

	Current year quarter 30/09/09 RM'000	Current year-to-date 30/09/09 RM'000
Current income taxation	1,115	1,058
Deferred taxation	(7,356)	9,895
	(6,241)	10,953

(b) Reconciliation of income tax expense:

	Current year quarter 30/09/09 RM'000	Current year-to-date 30/09/09 RM'000
Profit/ (Loss) before taxation	40,860	(54,484)
Tax calculated at tax rate of 25%	(10,212)	13,621
Tax expense on share of results of associated company	180	424
Expenses not deductible for tax purposes	353	(938)
Utilisation of reinvestment allowances	33	38
Over provision in prior financial year	2,480	2,126
Current year tax losses not recognised	1,001	(4,129)
Others	(76)	(189)
	(6,241)	10,953

The over provision of taxation in prior year is due to claiming of specific allowable expense against general provision made previously.

14. Sale of Unquoted Investments and/or Properties

There were neither sale of unquoted investments nor properties for the current financial year to date.

15. Quoted Securities

(a) There were neither purchases nor disposals of quoted securities for the current financial year to date.

(b) Investments in quoted securities as at 30 September 2009:

	RM'000
At cost	6,586
Provision for diminution in value of investments	(5,798)
At book value	788
At market value	1,508

16. Status of Corporate Proposals

The Group has obtained six out of the seven certificates of fitness for occupation (CFs) of properties required pursuant to the Company's ICULS issue completed in August 2003. The remaining CF for Lots 6047, 6048 and 6049, has yet to be issued. The Securities Commission has extended the time for compliance to October 31, 2010.

17. Group Borrowings

(a) The Group borrowings as at 30 September 2009 comprised of unsecured short-term borrowings amounting to RM680 million.

(b) Included in the above are US Dollars borrowings amounting to RM69 million.

18. Off Balance Sheet Financial Instruments

There were no financial instruments with material off balance sheet risk as at the date of issue of this quarterly report.

19. Changes in Material Litigation

Since the date of the last annual balance sheet date, there has not arisen any material litigation up to the date of issue of this report.

20. Related Party Transactions

Significant transactions with related parties are as follows:

		9 months ended 30/09/09 RM'000
Sales of goods to :		
Hong Leong Company (Malaysia) Berhad Group	Enterprises controlled by the same enterprise which exercises significant influence over the Company	63,238
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	48,350
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	38,202
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	9,382
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	1,034
Associated company		
- Steel Industries (Sabah) Sdn. Bhd.	Enterprises in which the Company has significant influence	83,331
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	265,718

Service rendered by :
Su Hock Group

Enterprises in which
substantial interest is owned
indirectly by a Director, who
is also a substantial
shareholder of the Company

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21. Review of Performance

The Group revenue for the quarter under review was RM561.9 million, compared to RM918.4 million in the preceding year corresponding quarter. The drop in revenue was in line with the contraction in steel demand and lower prices. With the lower margin, the Group recorded a lower profit before taxation (“PBT”) of RM40.9 million, as compared to a profit before taxation of RM73.2 million registered in the preceding year corresponding quarter.

22. Material Change in Profit/(Loss) Before Taxation Compared to Immediate Preceding Quarter

The Group's revenue for the current quarter increased to RM561.9 million from RM488.4 million in the immediate preceding quarter. This quarter's PBT of RM40.9 million as compared to the immediate preceding quarter loss before taxation of RM16.9 million was helped by a gradual recovery in both volume and margin.

23. Prospect

Although the worst in the current economy downturn appears to be over, concerns over the sustainability of the recovery still remain. In Malaysia, speedy and on time implementation of the stimulus package is crucial to provide further momentum to the construction sector and economy as a whole. The Board expects the Group to maintain its performance in the last quarter of this financial year.

24. Earnings/ (Loss) Per Share

Basic earnings/ (loss) per ordinary share

The calculation of basic earnings per ordinary share for the current quarter is based on the net profit attributable to ordinary shareholders of RM34.619 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

The calculation of basic loss per ordinary share for the current year to date is based on the net loss attributable to ordinary shareholders of RM43.531 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

	Current Quarter	Current Year to Date
Net profit/ (loss) attributable to shareholders (RM'000)	34,619	(43,531)
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	419,417	419,417
Basic earnings/ (loss) per ordinary share (sen)	8	(10)

Diluted earnings/ (loss) per share

The Group has no dilution in its earnings/ loss per ordinary share in the current quarter/ year to date as there are no potential ordinary shares.